

Message Text

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ORIGIN NODS-00

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FOL RPT WARSAW 8949 ACTION SECSTATE 12 DEC 77 QUOTE

S E C R E T WARSAW 8949

NODIS

EO 11652GDS
TAGS: EFIN PL
SUBJ: POLISH APPROACH ON DEBT RESCHEDULING

REF: STATE 294986

1. ON DECEMBER 10, I CALLED ON FINANCE MINISTER KISIEL,
WHO WAS ATTENDED BY VICE MINISTER KRZAK. IN ORDER TO
BE PRECISE IN CONVEYING THE CONTENT OF REF, I GAVE
KISIEL A PAPER, ENTITLED "ORAL STATEMENT," EMBODYING
MOST OF THE MATERIAL COVERED IN PARAGRAPHS 2 THROUGH 7
OF REF. (I AM SENDING A COPY TO DAS LUERS.) I THEN
WENT OVER THIS PAPER, TRANSLATING INTO POLISH THOSE
SECTIONS WHICH KRZAK AND HE DID NOT FULLY UNDERSTAND.

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WHEN WE HAD DONE THIS, I MADE THE FOLLOWING POINTS
ORALLY. A) WHILE POLISH THOUGHTS ON A POSSIBLE REQUEST
FOR DEBT RESCHEDULING DO NOT SQUARE WITH OUR POLICY,
THE U.S. GOVERNMENT IS SYMPATHETIC TO POLAND'S
PROBLEMS AND WILL GIVE CAREFUL AND PROMPT ATTENTION TO
WHATEVER OTHER VIEWS THE POLISH GOVERNMENT WISHES TO
CONVEY. FOR THIS PURPOSE, I AM AVAILABLE AT ANY TIME TO

HEAR SUCH ADDITIONAL VIEWS AND CONVEY THEM TO MY GOVERNMENT. B) IF, AFTER HAVING CONSIDERED THE POSITION CONVEYED IN MY "ORAL STATEMENT," THE POLISH GOVERNMENT WISHES TO PROCEED WITH A REQUEST FOR RESCHEDULING, WE WOULD PROPOSE CONTACTS ON THE TECHNICAL LEVEL BETWEEN THE MINISTER OF FINANCE AND THE U.S. TREASURY. (KISIEL INTERPOLATED, "AT THE LEVEL OF DEPARTMENT DIRECTOR," AND I CONFIRMED THAT THIS WAS THE LEVEL WE HAD IN MIND.) IF THEY DECIDED ON THIS COURSE OF ACTION, I SAID, IT WOULD BE COMPLETELY UNREALISTIC TO THINK THAT SO COMPLEX A MATTER COULD BE PREPARED FOR AGREEMENT IN THE TIME REMAINING BEFORE, OR DURING, THE PRESIDENT'S VISIT. KISIEL ACKNOWLEDGED THAT THIS WAS CORRECT. C) THE REQUEST FOR ECONOMIC AND FINANCIAL INFORMATION, CONVEYED BY SECRETARY KREPS AND HER ASSOCIATES DURING THEIR VISIT TO WARSAW, IS IN NO WAY CONNECTED WITH A POSSIBLE CONSIDERATION BY THE U.S. GOVERNMENT OF ANY RESCHEDULING OF DEBT. RATHER, THIS INFORMATION IS ESSENTIAL IF WE ARE TO GIVE CONSIDERATION TO THE AS-YET-UNACTED-UPON POLISH REQUEST FOR \$200 MILLION IN CCC CREDITS (I.E., THE PORTION REMAINING OF THE ORIGINAL REQUEST FOR \$500 MILLION WORTH OF CCC CREDITS).

2. IN RESPONSE, KISIEL SAID THAT IT HAD NEVER BEEN THE POLISH INTENTION TO REQUEST RESCHEDULING. SO FAR AS HE COULD SPEAK FOR IT, THE POLISH GOVERNMENT WOULD NOT
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REQUEST A RESCHEDULING OF DEBT. HE WAS EMPHATIC ABOUT THIS, ALTHOUGH HE DID ADD THAT HE WOULD, OF COURSE, REPORT THIS CONVERSATION TO HIS SUPERIORS AND COLLEAGUES, WHO WOULD HAVE TO DECIDE WHAT POLICY THE POLISH GOVERNMENT WOULD ADOPT. HOWEVER, HE SAID, HE FELT ALMOST SURE THEY WOULD NOT DECIDE TO RESCHEDULE. HE WAS VERY CONSCIOUS OF THE FORCE OF WHAT I HAD SAID IN MY "ORAL STATEMENT" ABOUT THE SERIOUS REPERCUSSIONS OF ANY SUCH DECISION ON POLAND'S CREDIT RATING AND FUTURE REQUEST FOR CREDIT.

3. "WE HAVE TO MAKE PAYMENTS IN 1978 OF \$3 BILLION," KISIEL SAID. "WE ARE PREPARED TO DO THAT. WE HAVE A DIFFICULT SITUATION. WE HAD HOPED YOU COULD EASE OUR PAYMENTS SITUATION. IF YOU CANNOT, WE WILL HAVE TO FIND NEW CREDIT POSSIBILITIES TO COVER WHAT WE OWE YOU, AS WELL AS MUCH OF THE REST OF THE \$3 BILLION WE MUST PAY THIS YEAR. WE WILL HAVE TO ADOPT A STRICTER INTERNAL POLICY AND RESTRICT OUR IMPORTS STILL MORE. THIS WILL MEAN A SLOWING-DOWN OF OUR INDUSTRIAL DEVELOPMENT AND OUR ECONOMIC DEVELOPMENT A WHOLE. THIS IS TOO BAD, BUT WE WILL HAVE TO DO IT." IF NECESSARY, HE SAID, THEY WOULD HAVE TO USE THEIR GOLD RESERVES.

4. KISIEL WENT ON TO SAY THAT HIS GOVERNMENT CONTINUED TO BE INTERESTED IN AN ADDITIONAL \$200 MILLION IN CCC CREDITS. THEY ALSO HOPED THE US CONGRESS WOULD ADOPT LEGISLATION PROVIDING FOR A NEW, MEDIUM-TERM CREDIT FACILITY FOR AGRICULTURAL PRODUCTS, PARTICULARLY GRAIN. IF SO, THEY WOULD WANT TO HAVE SUCH A FACILITY CONSIDER THEIR REQUEST FOR LONGER-TERM CREDITS, OVER AND ABOVE THEIR STILL EXTANT REQUEST FOR ANOTHER \$200 MILLION IN CCC CREDITS.

5. REFERRING TO MY CHARACTERIZATION OF THE 1975 RESCHEDULING AGREEMENT AS "A LIMITED RESCHEDULING IN EXCHANGE FOR TERMINATION OF THE 1968 ANNUITANT AGREEMENT,
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KRZAK SAID, ONLY HALF-JOKINGLY, THAT THEY WOULD HAVE TO THINK OF SOMETHING TO OFFER US WHICH WOULD BE WORTH THE "EASING" OF REPAYMENTS THEY HAD IN MIND. HE ASKED WHETHER WE HAD ANYTHING IN MIND. I SAID IT WAS HARD TO THINK OF ANYTHING OF THAT ORDER OF MAGNITUDE.

6. KISIEL CONCLUDED THE MEETING BY SAYING THAT KRZAK AND HE WOULD CONSULT WITH THEIR PRINCIPALS AND COLLEAGUES AND, IF THEY ARRIVED AT ANY DECISIONS OR HAD ANY NEW IDEAS, THEY WOULD BE IN TOUCH WITH ME. MEANWHILE, HE SAID, HE HOPED THE US GOVERNMENT WOULD TREAT THIS WHOLE SUBJECT AS "STRICTLY CONFIDENTIAL", AS, ON THEIR SIDE, THE POLISH AUTHORITIES INTENDED TO DO. I SAID THAT WE WOULD CERTAINLY DO SO, NOTING, HOWEVER, HOW UNFORTUNATE I THOUGHT IT WAS THAT, DURING THE JOINT COMMISSION MEETING, SO MANY PEOPLE ON BOTH SIDES HAD BEEN MADE PRIVY TO IT.
DAVIES

UNQUOTE CHRISTOPHER

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